

Message Text

UNCLASSIFIED

PAGE 01 COLOMB 03206 311124Z
ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 PA-02 PRS-01 /093 W
-----127615 311155Z /41

P R 311100Z AUG 1,
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC PRIORITY 8043
INFO AMEMBASSY NEW DELHI

UNCLAS COLOMBO 3206
NEW DELHI FOR FINATT

E.O. 11652: N/A
TAGS: EFIN, CE

SUBJ: CENTRAL BANK RAISES DISCOUNT RATE

REF: COLOMBO 0341

1. CENTRAL BANK DEPUTY GOVERNOR, DR. W. TILAKARATNA, ANNOUNCED AUGUST 31 THAT THE BANK'S DISCOUNT RATE WAS BEING RAISED FROM 8.5 PERCENT TO 10.0 PERCENT. THE RATE WAS LAST INCREASED (FROM 6.5 TO 8.5 PERCENT) LAST JANUARY (REFTEL).

2. ACCORDING TO A PRESS STATEMENT ISSUED BY DR. TILAKARATNA, THIS MOVE WAS TAKEN TO REDUCE THE MONEY SUPPLY WHICH HAS INCREASED 60 PERCENT OVER THE PAST 18 TO 20 MONTHS. IN ADDITION, COMMERCIAL BANKS WILL BE LIMITED IN HOW MUCH THEY CAN BORROW AT THE NEW RATE; ADDITIONAL BORROWINGS WILL INCUR AN EVEN HIGHER (BUT UNSPECIFIED) INTEREST RATE. IT IS EXPECTED THAT THE HIGHER DISCOUNT RATES WILL PUSH UP COMMERCIAL BANK INTEREST RATES WHICH SHOULD HELP TO MOBILIZE SAVINGS AND TO DISCOURAGE CONSUMPTION.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 COLOMB 03206 311124Z

3. DR. TILAKARATNA TOLD EMBOFF THAT THE HIGHER PENALTY RATE WILL BE 15 PERCENT. THE APPLICATION OF THIS HIGHER RATE WILL BE BASED ON EACH COMMERCIAL BANK'S REPORT TO CENTRAL BANK FINANCING AS MEASURED BY A PERCENTAGE OF SELECTED ASSETS.

4. THE EMBASSY WILL REPORT FURTHER AS MORE DETAILS OF THE

CENTRAL BANK'S TIGHTER CREDIT POLICY BECOMES KNOWN.
WRIGGINS

UNCLASSIFIED

NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANK RATES, CENTRAL BANK
Control Number: n/a
Copy: SINGLE
Sent Date: 31-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977COLOMB03206
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Expiration:
Film Number: D770314-1104
Format: TEL
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197708113/aaaafykt.tel
Line Count: 68
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Message ID: 667cb350-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 COLOMBO 341
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1441993
Secure: OPEN
Status: <DBA CORRECTED> gwr 970911
Subject: CENTRAL BANK RAISES DISCOUNT RATE
TAGS: EFIN, CE
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/667cb350-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009